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TO RUEHC/SECSTATE WASHDC 7784
RUEATRS/DEPT OF TREASURY WASHDC
INFO RUEHJS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS
RUCPDO/DEPT OF COMMERCE WASHDC
RUEHKO/AMEMBASSY TOKYO 1464
RUEHPE/AMEMBASSY LIMA 0062
RUEHBJ/AMEMBASSY BEIJING 4680
RUEHBY/AMEMBASSY CANBERRA 1937
RUEHUL/AMEMBASSY SEOUL 4380
RUEAIIA/CIA WASHDC

UNCLAS SECTION 01 OF 02 JAKARTA 000182

SIPDIS

SENSITIVE
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AIDAC

DEPT FOR EAP/EP, EAP/RSP AND EAP/MTS
TREASURY FOR IA-SETH SEARLS
USTR FOR WEISEL AND CUTLER
SINGAPORE FOR SUSAN BAKER
BANGKOK FOR SKIP KISSINGER
COMMERCE FOR 4430-BERLINGUETTE
DEPARTMENT PASS FEDERAL RESERVE SAN FRANCISCO FOR FINEMAN
DEPARTMENT PASS EXIM BANK

E.O. 12598: N/A

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SUBJECT: APEC-ASEAN COOPERATION, CORPORATE SOCIAL RESPONSIBILITY -
AMBASSADOR HASLACH VISITS JAKARTA

¶1. (SBU) Summary. Ambassador Haslach met with business and government leaders January 21-23 in Jakarta. American business leaders noted that U.S. companies have a comparative advantage in the region on corporate social responsibility (CSR) programs. ASEAN and APEC are seeking ways to work more closely, including on food and product safety, energy and tariff reduction. The USG seeks greater Indonesian engagement in APEC. End Summary.

AmCham Meeting

¶2. (SBU) In a meeting with American Chamber of Commerce (AmCham) leaders on January 21, Ambassador Haslach provided an overview of APEC and issues of interest to the business community. Haslach noted the significance of APEC economies (40% of global population, 50% of trade, 60% of GDP). U.S.-ASEAN trade totaled \$166 billion in 2006 and expanded 7% per year between 2002-2006. An important initiative is the Free Trade Area (not "agreement") of the Asia Pacific. Haslach noted that of the recent four Free-Trade Agreements, Congress passed Peru, but Columbia, Panama and Korea are progressively more difficult. Food safety is an area of great concern to the U.S. given the recent problems with imports from China.

¶3. (SBU) The U.S. supports the Sydney Declaration on Climate Change to disseminate clean and energy efficient technologies. APEC also completed a "Corporate Social Responsibility" report in 2005 and Peru, as current chair, is keen to focus on examples and best practices. The USG hopes that Indonesia will play more of a leadership role in APEC.

¶4. (SBU) AmCham leaders noted that while U.S. companies are actively engaged in the APEC region, we do not always communicate that effectively. This often weakens the U.S. business position in dialogue with host governments. By contrast, the Japan-ASEAN agreement is largely political, but many Asian nations focus on form as much as content. The USG is often too focused on content over form. Japan has effectively used its umbrella agreement, and the

fact that President Yudhoyono signed it in Japan on a high-level visit, to leverage additional cooperation. The AmCham is working closely with the Indonesian Chamber of Commerce (KADIN) and the International Business Chamber (IBC) on issues of concern to both the domestic and international business communities. "Sometimes it is better if the GOI is not hearing it just from the U.S.," one AmCham leader stated.

Corporate Social Responsibility:
U.S. Firms' Comparative Advantage

15. (SBU) On CSR, one AmCham member noted that U.S. companies have a significant comparative advantage over other countries. Even the next best competitors, Japanese firms, do not do nearly as much as U.S. companies. AmCham leaders noted the rapid expansion of China's involvement in several sectors: from power generation, to extractive industries, to telecommunications. U.S. companies are way ahead of China on CSR, especially in the extractive industries area. The Parliament's inclusion of a CSR clause legislation in July 2007 may make Indonesia, the only nation in the world to legislate CSR according to the head of AmCham's CSR committee. Ambassador Haslach said she would share the OECD guidelines with AmCham, which may help in outreach and communication efforts on the issue. "We can't focus on trade liberalization and not consider the social aspects," she noted. The fact that U.S. companies in Indonesia have been finalists three years running for the Secretary of State's Award for Corporate Excellence (including winner GE Indonesia in 2007), also helps to highlight U.S. firms' CSR activities.

ASEAN - APEC Cooperation

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16. (SBU) Ambassador Haslach outlined U.S. priorities for APEC in meetings at the ASEAN Secretariat on January 21. Lok Hwee Chong, Assistant Director for the Bureau of Economic Integration and Finance, emphasized that closer ASEAN-APEC cooperation depended on the APEC Secretariat moving from seconded member country officials to an institutionalized professional staff. It is difficult to ensure continuity and maintain momentum on long-term projects, he said, with the current rate of staff turnover at the APEC Secretariat.

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17. (SBU) Dhannan Sunoto, Director of ASEAN's Bureau of External Relations and Coordination, echoed Lok's comments. Because member country line agencies that work on a particular sector for ASEAN may not be the same as those that work on the same sector for APEC, a permanent staff at the APEC Secretariat would be crucial for closer coordination with ASEAN. He added that ASEAN would likely pull back its participation as an observer in APEC meetings because of budget constraints. Ambassador Haslach encouraged the Secretariat to continue to participate in higher-level meetings and agreed that a revamped APEC Secretariat could help facilitate information-sharing with ASEAN.

18. (SBU) Responding to Ambassador Haslach's review of U.S. priorities for APEC, Lok outlined several potential areas for collaboration with ASEAN. Under food and product safety, ASEAN is developing a product safety mutual recognition agreement with China. He added that negotiations had been difficult, but that with the recent focus on the safety of Chinese-made products, there is a new momentum for the agreement. On energy security, Lok proposed that the ASEAN Center for Energy, which explores energy conservation and alternative energy options, could be a forum for cooperation with APEC.

19. (SBU) Lok explained that ASEAN is implementing regional tariff reductions by sector. ASEAN has twelve priority sectors for tariff reduction, eight of which are product-specific, such as automobiles. The Secretariat has contracted out visibility studies on the benefits of tariff reductions so that member countries have supporting materials to seek buy-in from their governments. He

offered that ASEAN could potentially share its experiences with APEC as it rolls out these reductions.

¶10. (SBU) When asked about ASEAN's plans to implement a single currency and market, Hwee Chong explained that ASEAN is looking at the implementation of regional monetary units as a first step. ASEAN is also planning to harmonize standards for listing stocks and bonds cross-border. He said the Secretariat hopes to announce the plan following the ASEAN finance ministers' meeting in April.

Trade Minister Pangestu on APEC

¶11. (U) At the ABAC seminar on January 21, Indonesian Trade Minister Pangestu noted that APEC remains a useful forum for confidence building measures. APEC, as a non-negotiating forum, helps tackle difficult and sensitive issues before they reach a more formal stage. APEC can facilitate issues reaching critical mass before the World Trade Organization (WTO) rounds, for example. APEC supports WTO goals by creating practical and incremental steps toward progress. APEC can also enhance regional integration efforts. In addition, APEC makes use of ASEAN's work as platforms for cooperation. In one example, APEC seeks to replicate ASEAN's single window of customs standardization by 2010.

¶12. (U) This cable was cleared by Ambassador Haslach.

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